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# AIRPORT COMMISSION:

Concession Audit of  
Bayport Concessions, LLC

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December 1, 2005  
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# CITY AND COUNTY OF SAN FRANCISCO

## OFFICE OF THE CONTROLLER

≡ Audits Division  
≡ Audit Report

### AIRPORT COMMISSION:

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**CITY AND COUNTY OF SAN FRANCISCO**

**OFFICE OF THE CONTROLLER  
FINANCIAL AUDITS DIVISION**

**Ed Harrington**  
Controller

**Monique Zmuda**  
Deputy Controller

December 1, 2005

Audit Number 05014

San Francisco Airport Commission  
P.O. Box 8097  
San Francisco International Airport  
San Francisco, CA 94128-8097

President and Members:

The Office of the Controller presents its report concerning the audit of Bayport Concessions, LLC (Bayport). Bayport has a ten-year lease through May 21, 2015, with the Airport Commission of the City and County of San Francisco to operate the Willow Creek Grill, a retail food and beverage operation at two locations at the San Francisco International Airport.

**Reporting Period:** September 1, 2004, through June 30, 2005

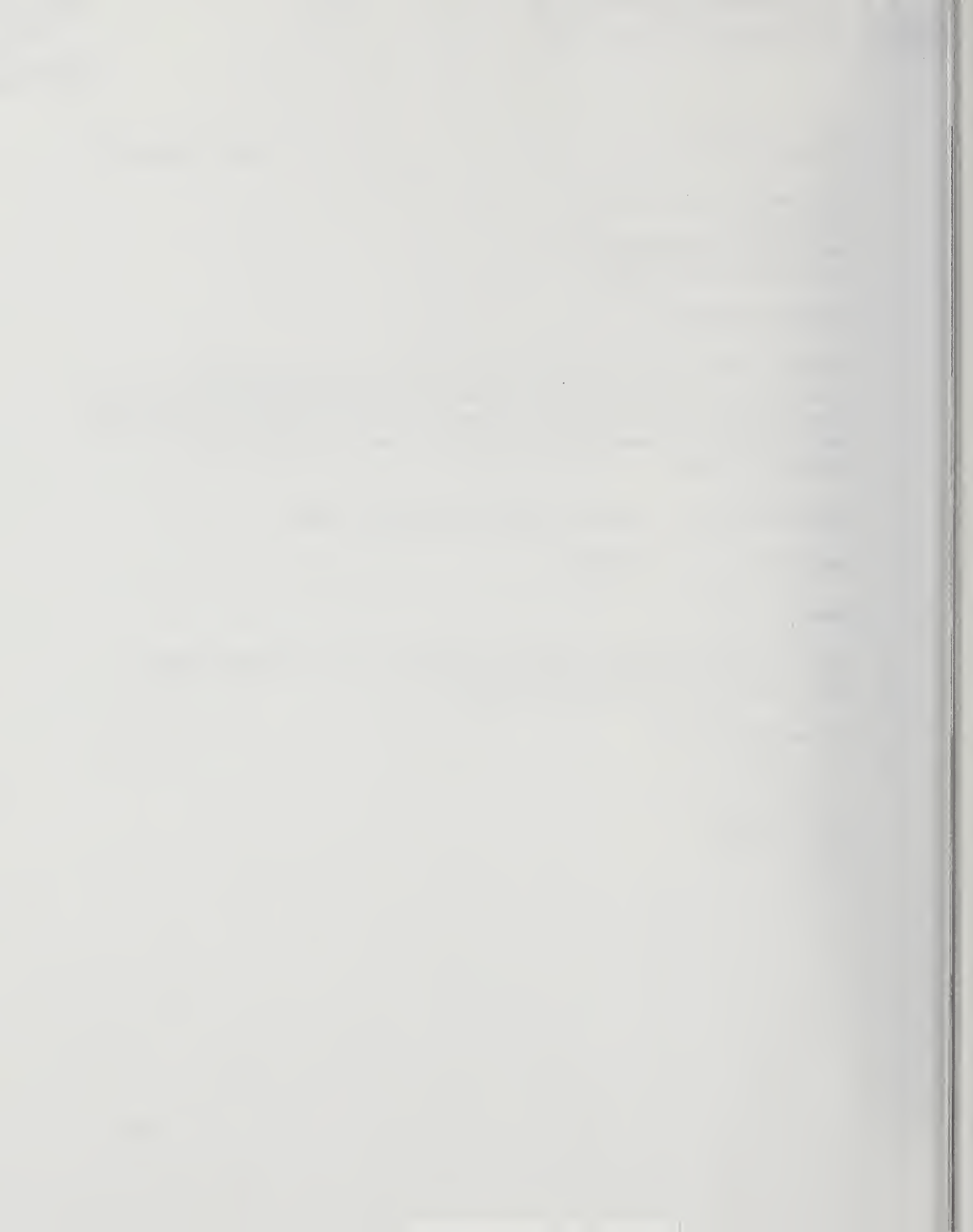
**Rent Paid:** \$594,014

**Results:**

Bayport correctly reported gross revenues of \$3,416,527 and, in all material respects, correctly paid its rent to the Airport Department.

Respectfully submitted,

Noriaki Hirasuna  
Director





# INTRODUCTION

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## BACKGROUND

In September 2004, Bayport Concessions, LLC (Bayport) began operating two interim food and beverage facilities, North Beach Trattoria and Willow Café, at the San Francisco International Airport (SFO) under a permit with the Airport Commission (Commission). The permit required Bayport to pay the Airport Department (Airport) rent of 20 percent of gross revenues generated at the two facilities. Bayport ceased operations of these facilities in February and May 2005.

Soon afterwards, Bayport began operating another food and beverage facility, the Willow Creek Grill, in two different locations at SFO. Under the terms of its ten-year lease with the Commission, which expires on May 21, 2015, Bayport is to pay the Airport rent at the greater of a minimum annual guarantee or a tiered percentage rent of 6 percent to 10 percent of the total gross revenues that Bayport earns at both locations. The percentage rent tiers are contingent on the amount of Bayport's total gross revenues.

## SCOPE AND METHODOLOGY

The purpose of this audit was to determine if Bayport complied with the reporting and payment provisions of its lease with the Commission. To conduct the audit, we reviewed the applicable terms of the lease and the adequacy of Bayport's procedures for recording, summarizing, and reporting its gross revenues to the Airport. To determine whether Bayport accurately reported its gross revenue to the Airport, we tested on a sample basis Bayport's monthly sales summaries, daily sales reports, and cash register reports.

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# AUDIT RESULTS

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## **BAYPORT CORRECTLY REPORTED ITS REVENUES AND GENERALLY PAID ITS RENT CORRECTLY**

**F**rom September 1, 2004, through June 30, 2005, Bayport correctly reported gross revenues of \$3,416,527 and, in all material respects, correctly paid rent of \$594,014 to the Airport.

We conducted this review according to the standards established by the Institute of Internal Auditors. We limited our review to those areas specified in the audit scope section of this report.

Staff: Ben Carlick, Audit Manager  
Houman Boussina

cc: Mayor  
Board of Supervisors  
Civil Grand Jury  
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